GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3357
ANSWERED ON:12.05.2006
SHORTAGE OF FUNDS IN BANKS
Gaikwad Shri Eknath Mahadeo;Mane Smt. Nivedita;Patel Shri Kishanbhai Vestabhai;Singh Shri Sugrib;Yaskhi Shri Madhu Goud

Will the Minister of FINANCE be pleased to state:

(a) whether the Government is aware of the shortage of funds in the banking system to give credits and for investments as reported in The Times of India dated April 1,2006;

(b) if so, the details thereof;

(c) the corrective steps taken / proposed to be taken by the Government in this regard;

(d) whether the Chief of five Public Sector Banks met the RBI Governor and discussed the issue recently;

(e) if so, the details of the discussion held; and

(f) the outcome thereof?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) to (f): Governor, Reserve Bank of India (RBI) met the Chairman, the CEO and three other members of the Indian Banks` Association (IBA) on 28.03.2006 as a part of the normal pre- policy consultation process with various institutions. In the Annual Policy Statement for the year 2006-07 on April 18, 2006, RBI has advised the banks to review their policies in regard to depos`t mobilization and make sustained efforts towards mobilizing stable retail deposits by providing wider access to better quality of banking services to sustain prudent business expansion without facing undue asset-liability mismatches. Consistent with the monetary policy stance of ensuring appropriate liquidity, daily net injections of liquidity under Liquidity Adjustment Facility (LAF) averaged Rs. 11,686 crore during January - March 2006. The liquidity conditions have eased considerably in April, 2006 and there has been a significant shift in the liquidity conditions with sufficient liquidity in the system since the second half of March 2006.